UNITED STATES DEPARTMENT OF AGRICULTURE
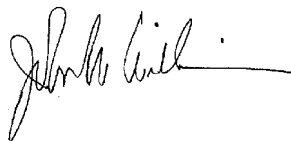Farm Service Agency
Washington, DC 20250

For: State and County Offices

Processing Apple Loans Using System 36 Accounting Software

Approved by: Deputy Administrator, Management

[signature]

1 Overview

A
Background

The Agricultural Risk Protection Act of 2000, Pub. L. 106-224, signed on June 20, 2000, states that FSA shall use CCC funds to make loans to producers of apples that are suffering economic loss as the result of low prices. The apple loan regulation was published in the Federal Register on December 6, 2000.

Apple loan applicants are required to pay all closing costs, including the cost of the credit reports and lien searches. The funds provided by the applicant to pay for the cost of credit reports and lien searches will be deposited into CCC accounts and the payment to the Credit Report Agency and Lien Search Provider will be made using the CCC Check Writing Application.

Notes: If a County Office has obtained a credit report for any other purpose, i.e. Farm Loan Program (FLP), or Farm Storage Facility Loan (FSFL), it may be used for the apple loan if it is not older than 4 months. A current lien search already on file may also be used for the apple loan application.

When an applicant requests both an apple loan and a new farm loan, the cost of the credit report should be attributed to the farm loan application, with the appropriate adjustments to the farm loan request.

Apple loan disbursements will **not** be made by the U.S. Treasury Check, instead a Commodity Corporation check, CCC-374, will be mailed to the County Office from KCFO.

Disposal Date	**Distribution**
May 1, 2001	State Offices; State Offices relay to County Offices

1   Overview (Continued)

B
Purpose

This notice provides instructions for:

- entering collections received for closing fees on CCC-257
- issuing a check for closing fee services
- canceling CCC-374.

C
Contact

If there are questions about this notice:

- County Offices shall contact the State Office
- State Offices shall contact Lenior Simmons, FMD at 703-305-1313.

2   Handling Funds Collected for Credit Report and Lien Searches

A
Depositing Funds

An applicant's check or cash for a credit report or lien search shall be recorded through the Cash Receipt System in the Accounting Application, using program code "00APPLEFEES" according to 3-FI, Part 5.

B
Paying for Credit Reports and Lien Searches

The fees for credit reports and lien searches shall be made by the same State or County Office that processes the payment for FLP activity. Since the borrower's fees will be deposited into CCC accounts, the payment for credit report and lien search must be issued through State and County Office System 36 Check Writing Functions in the Accounting Application using program code "00APPLEFEES", according to subparagraph 2 C and 1-FI, paragraph 161.

Note: The program code "00APPLEFEES" shall not be used to issue a disbursement until County Release No. 450 and State Release No. 370 are installed.

If an invoice is submitted that contains credit report or lien search fees for both farm loan and apple loan processing, State and County Offices must pay only the fees related to apple loan processing using the System 36 Check Writing Functions in the Accounting Application. Payment of the fees on the invoice related to FLP activities shall continue to be processed as they are today.

2 Handling Funds Collected for Credit Report and Lien Searches (Continued)

**C
Entering Special
Data for the
00APPLEFEES
Payment Record**

KCFO will reconcile the amount collected for apple loan credit reports and lien searches with the amount of the payment issued using program code "00APPLEFEES". To ensure this reconciliation, State and County Offices **must** enter in the special data field of the disbursement record, the producer ID number and the amount of the payment that was collected from the producer.

If multiple producer credit reports or lien searches are included on 1 invoice, each of the producer's ID number and amount collected for the lien search or credit report must be entered in the special data field. The producer ID number and the amount collected for each producer should be separated with a "/".

Example: 111-11-1111,25.00/222-22-2222,25.00/333-33-3333,25.00/

The amount listed in the special data field for each producer should equal the total disbursement amount. For the above example, the total would be $75.00.

3 Canceling Apple Loan Obligations and Disbursements

A
Overview

State and County Offices shall use the same procedures to cancel the apple loans that are used to cancel FLP obligations and disbursements.

B
County Office Action

County Offices shall:

• prepare FmHA 1940-10 according to this paragraph to cancel the unused CCC-374 through St. Louis KCFO, Loan Accounting Division (LAD)

• write "Not Negotiable" in red ink on the front of CCC-374

• mail FmHA 1940-10 and unused CCC-374 to St. Louis KCFO, LAD at the following address:

> USDA, FSA, St. Louis/Kansas City Finance Office
> Loan Accounting Division
> P.O. Box 200003
> St. Louis, MO 63120-0003

• cancel loan obligations according to this paragraph.

Note: Do not attempt to cancel the checks using the System 36 Check Writing Functions. The System 36 Check Writing Function can only be used to cancel CCC checks that are issued by the State and County Office.

3   Canceling Apple Loan Obligations and Disbursements (Continued)

C
Guidelines for
FmHA 1940-10

The following table provides guidelines for preparing and submitting FmHA 1940-10 to cancel an apple loan check and/or obligation.

IF canceling...	THEN...	AND...
CCC-374 (advance) only	prepare FmHA 1940-10	mail FmHA 1940-10 and CCC-374 to St. Louis KCFO, LAD for cancellation.
CCC-374 and obligation and the amounts are different amounts	• prepare one FmHA 1940-10 to cancel the amount of the obligation only • prepare one FmHA 1940-10 to cancel CCC-374	• mail FmHA 1940-10 established for CCC-374 to St. Louis KCFO, LAD for cancellation • if the loan is unclosed, process through ADPS a "1D" transaction to cancel the obligation after CCC-374 has been canceled and added back to the undisbursed balance **Notes:** The borrower case file copy of FmHA 1940-10 shall be used to process obligation cancellations through ADPS. When processing through ADPS, the cancellation of an obligation with a CCC-374 cancellation and the undisbursed balance is less than the amount of the canceled obligation, the County Office shall, on a daily basis, view the undisbursed balance to determine when the CCC-374 cancellation was processed. Subsequent to the processing of the check cancellation, the County Office shall process the cancellation of the obligation.
CCC-374 and obligation and the amounts are the same	prepare FmHA 1940-10 to cancel both the obligation and check	mail FmHA 1940-10 to St. Louis KCFO, LAD to cancel CCC-374 and obligation.
obligation only of an unclosed loan	prepare FmHA 1940-10 to process through ADPS a "1D" transaction	retain a copy of FmHA 1940-10 in borrower's case file.
obligation only of a closed loan	prepare FmHA 1940-10	FAX to St. Louis KCFO, LOD to process canceling any portion of the obligation of a closed loan. **Note:** Use the following St. Louis KCFO FAX numbers: • 314-539-3111 for States 01 through 32 • 314-539-6447 for States 33 through 64

3   Canceling Apple Loan Obligations and Disbursements (Continued)

**D
Completing
FmHA 1940-10**

Use the following table to prepare FmHA 1940-10 when canceling CCC-374 or an obligation for apple loans.

> **Note:** Instructions for canceling disbursements for loan cost will be provided in the future.

Item	Instructions
1	Enter the borrower's case number.
3	Enter the apple loan "xx" fund code.
4	Enter the borrower's loan number.
5	Enter the borrower's last name (comma, no space), first name or initial (space), and middle name or initial. **Example:** Doe,John L
7	Enter the amount of CCC-374 and/or obligation being canceled. **Notes:** The amounts shall be equal, if an obligation and CCC-374 are being canceled on the same FmHA 1940-10.
8	Enter the CCC-374 date of the advance being canceled.
9	Enter the CCC-374 number that appears on the face of the check.
10	Enter the last 2 digits of FY that the loan was originally obligated.
11	Enter the applicable obligation cancellation code. **Note:** ENTER "P" if partial or "F" if full.

3   Canceling Apple Loan Obligations and Disbursements (Continued)

**D
Completing
FmHA 1940-10
(Continued)**

Item	Instructions		
12a	**IF canceling...**	**THEN ENTER...**	**Purpose**
	CCC-374 (advance will be reordered)	"1".	St. Louis KCFO will cancel the advance equal to the amount shown in item 7. The cancellation amount and any other undisbursed balance for the related obligation will remain available when the County Office requests future advances.
	CCC-374 and obligation (equal amounts)	"2".	St. Louis KCFO will cancel the advance equal to the amount shown in item 7. The obligated funds will be reduced for the same amount. The canceled funds will not be available for future advances. This code shall only be recorded when the obligation and the advance canceled are equal amounts.
	an obligation only	"3".	Obligated funds will be reduced by the amount in item 7.

16	Do the following, if applicable:
	
	• briefly explain why cancellation action was taken by the County Office
	
	• for canceling CCC-374 and obligation of funds for unequal amounts, provide the description on both sets of FmHA 1940-10 sent to St. Louis KCFO, LAD.
	
	    Examples: Obligation cancellation for $5,000.00.
	                      CCC-374 cancellation for $3,000.00.		

17	FSA-authorized representative shall sign.		
18	Enter the agency title of the authorized representative who signed in item 17.		
19	Enter signature date.		
20 through 24	Leave blank. **Note:** This is for St. Louis KCFO use only.		